



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MAGOFFIN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
MAGOFFIN COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	12
NOTES TO FINANCIAL STATEMENTS	15
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	23
SCHEDULE OF OPERATING REVENUE.....	26
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	35
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49
COMMENTS AND RECOMMENDATIONS.....	53
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul Salyer, County Judge/Executive

Honorable Charles Hardin, Former County Judge/Executive

Members of the Magoffin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Magoffin County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Magoffin County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Magoffin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Magoffin County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul Salyers, County Judge/Executive

Honorable Charles Hardin, Former County Judge/Executive

Members of the Magoffin County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Magoffin County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Fiscal Court Should Have Required Depository Institution To Pledge Additional Securities Of \$367,667 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The Fiscal Court Should Pay All Bills In A Timely Manner
- The County Treasurer Should Publish An Annual Settlement And Present It To Fiscal Court In A Timely Manner
- The Fiscal Court Should Collect Amount Due The County As Determined By Audit

In accordance with Government Auditing Standards, we have also issued our report dated August 9, 1999 on our consideration of Magoffin County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
August 9, 1999

MAGOFFIN COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Charles E. Hardin, Jr.	County Judge/Executive
William Grover Arnett	County Attorney
H. B. Arnett	County Clerk
Roger Gullett	Circuit Court Clerk
Chalmer Wireman	Sheriff
Bob Jordan	Jailer
Sally Patrick	Property Valuation Administrator
Kila Keeton	County Treasurer
Glen Conley	Coroner
Terry Hensley	Magistrate
Robert Collinsworth	Magistrate
Kenneth Auxier	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MAGOFFIN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 380,047
Road and Bridge Fund:	
Cash	583,419
Jail Fund:	
Cash	9,342
Local Government Economic Assistance Fund:	
Cash	38,102
911 Fund:	
Cash	7,711
Forestry Fund:	
Cash	6,783
Local Flood Protection Fund:	
Cash	15
Community Center Sinking Fund:	
Cash	3,401
Voted Courthouse Bond Sinking Fund:	
Monies in Hands of -	
State Local Finance Officer	1,553
Paying Agent	18,035
Salyersville National Bank Renovation Project Fund:	
Cash	1
Appalachian Regional Commission Solid Waste Project Fund:	
Cash	86
Payroll Account - Cash	12,915

Other Resources

Jail Fund:	
Amount to be Provided in Future Years for	
Lease Obligations - Bond Principal Payments (Note 4)	232,498
Community Center Sinking Fund:	
Amount to be Provided in Future Years for	
Lease Obligations - Bond Principal Payments (Note 4)	133,400
Total Assets and Other Resources	<u>\$ 1,427,308</u>

MAGOFFIN COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Unpaid Liability (Note 5)	\$	49,419
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Road Fund:

Unpaid Liability (Note 5)		65,235
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Jail Fund:

Unpaid Liability (Note 5)		484
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Unpaid Liability Due Big Sandy Regional Detention Center (Note 5)		39,982
---	--	--------

Capital Lease Obligation - Bond Principal Payments (Note 4)		232,498
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Local Government Economic Development Fund:

Unpaid Liability (Note 5)		604
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Sanitation Fund:

Cash Deficit		7,119
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Unpaid Liability (Note 5)		21,150
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911 Fund:

Unpaid Liability (Note 5)		363
---------------------------	--	-----

Community Center Sinking Fund:

Capital Lease Obligation - Bond Principal Payments (Note 4)		133,400
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Voted Courthouse Bond Sinking Fund:

Bonds Matured and Unpresented		15,000
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Interest Matured and Unpresented		3,035
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Fund Balances:

Reserved:

Sanitation Fund		(28,269)
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911 Fund		7,348
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Forestry Fund		6,783
---------------	--	-------

Local Flood Protection Fund		15
-----------------------------	--	----

Community Center Sinking Fund		3,401
-------------------------------	--	-------

Voted Courthouse Bond Sinking Fund		1,553
------------------------------------	--	-------

Salyersville National Bank Renovation Project Fund		1
--	--	---

Appalachian Regional Commission Solid Waste Project Fund		86
--	--	----

Payroll Account		12,915
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MAGOFFIN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
June 30, 1998
(Continued)

Unreserved:	
General Fund	\$ 330,628
Road Fund	518,184
Jail Fund	(31,124)
Local Government Economic Assistance Fund	<u>37,498</u>
Total Liabilities and Fund Balances	<u>\$ 1,427,308</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MAGOFFIN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,459,500	\$ 592,905	\$ 861,808	\$ 55,002
Transfers In	215,738			160,000
Total Cash Receipts	<u>\$ 2,675,238</u>	<u>\$ 592,905</u>	<u>\$ 861,808</u>	<u>\$ 215,002</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,208,200	\$ 420,596	\$ 648,458	\$ 215,031
Transfers Out	215,738	95,738		
Farmers Home Administration Loan:				
Principal Paid	2,300			
Bonds:				
Principal Paid	8,808			8,808
Total Cash Disbursements	<u>\$ 2,435,046</u>	<u>\$ 516,334</u>	<u>\$ 648,458</u>	<u>\$ 223,839</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 240,192	\$ 76,571	\$ 213,350	\$ (8,837)
Cash Balance - July 1, 1997	<u>801,184</u>	<u>303,476</u>	<u>370,069</u>	<u>18,179</u>
Cash Balance - June 30, 1998	<u><u>\$ 1,041,376</u></u>	<u><u>\$ 380,047</u></u>	<u><u>\$ 583,419</u></u>	<u><u>\$ 9,342</u></u>

The accompanying notes are an integral part of the financial statements.

MAGOFFIN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Sanitation Fund	911 Fund	Forestry Fund	Local Flood Protection Fund
\$ 282,807	\$ 408,201 30,000	\$ 100,056	\$ 2,575	\$
\$ 282,807	\$ 438,201	\$ 100,056	\$ 2,575	\$ 0
\$ 137,572 120,000	\$ 482,425	\$ 121,196	\$ 3,140	\$
\$ 257,572	\$ 482,425	\$ 121,196	\$ 3,140	\$ 0
\$ 25,235 12,867	\$ (44,224) 37,105	\$ (21,140) 28,851	\$ (565) 7,348	\$ 0 15
\$ 38,102	\$ (7,119)	\$ 7,711	\$ 6,783	\$ 15

The accompanying notes are an integral part of the financial statements.

MAGOFFIN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Community Center Sinking Fund	Voted Courthouse Bond Sinking Fund	Salversville National Bank Renovation Project Fund	Appalachian Regional Commission Solid Waste Project Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,800	\$	\$	\$ 147,346
Transfers In			25,738	
Total Cash Receipts	<u>\$ 8,800</u>	<u>\$ 0</u>	<u>\$ 25,738</u>	<u>\$ 147,346</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,785	\$	\$ 25,737	\$ 147,260
Transfers Out				
Farmers Home Administration Loan:				
Principal Paid	2,300			
Bonds:				
Principal Paid				
Total Cash Disbursements	<u>\$ 9,085</u>	<u>\$ 0</u>	<u>\$ 25,737</u>	<u>\$ 147,260</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (285)</u>	<u>\$</u>	<u>\$ 1</u>	<u>\$ 86</u>
Cash Balance - July 1, 1997	<u>3,686</u>	<u>19,588</u>		
Cash Balance - June 30, 1998	<u><u>\$ 3,401</u></u>	<u><u>\$ 19,588</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 86</u></u>

The accompanying notes are an integral part of the financial statements.

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Magoffin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Magoffin County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in a qualified deferred compensation plan administered under 401(k) of the Internal Revenue Code. Employees may contribute an amount up to \$7,500 per year to the plan. The county's contribution rate for employees was 3.25 percent.

Benefits fully vest on reaching two years of service for employees. Aspects of benefits for employees include retirement after 27 years of service or age 65.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 1998, the uncollateralized amount on deposit was \$367,667. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 685,000
Uncollateralized and uninsured	<u>367,667</u>
Total	<u><u>\$ 1,052,667</u></u>

Note 4. Long-Term Debt

A. Capital lease agreement outstanding of the Jail Fund:

In January 1988, the fiscal court entered into a Local Correctional Facilities Construction Authority lease agreement jointly with Johnson County in the amount of \$1,062,245. The lease consists of a loan in the amount of \$815,245 at 6.341 percent interest and a loan in the amount of \$247,000 at 5.00 percent interest for correctional facilities. Magoffin County's portion is 27.15 percent of the total. Magoffin County will pay 54 semi annual installments of varying amounts in accordance with a schedule to complete the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are presented below.

<u>Fiscal Year Ended</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 1999	\$ 7,808	\$ 15,126
June 30, 2000	8,323	14,594
June 30, 2001	8,872	14,027
June 30, 2002	9,458	13,422
June 30, 2003	10,082	12,776
June 30, 2004-2015	<u>187,955</u>	<u>84,120</u>
Totals	<u><u>\$ 232,498</u></u>	<u><u>\$ 154,065</u></u>

MAGOFFIN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 4. Long-Term Debt (Continued)

B. Loan outstanding of the Community Center Sinking Fund:

In June 1997, the fiscal court entered into a loan agreement with the Farmers Home Administration to borrow \$140,000 at 5.00 percent interest for the completion of the Magoffin Center Project. The county will pay semi annual installments of varying amounts due on July 1 and January 1 of each year in accordance with a schedule to complete the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are presented below.

<u>Fiscal Year Ended</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 1999	\$ 2,400	\$ 6,670
June 30, 2000	2,600	6,550
June 30, 2001	2,700	6,420
June 30, 2002	2,800	6,285
June 30, 2003	3,000	6,145
June 30, 2004-2015	<u>119,900</u>	<u>80,430</u>
Totals	<u>\$ 133,400</u>	<u>\$ 112,500</u>

Note 5. Fiscal Court Should Pay Bills In A Timely Manner

The fiscal court should to pay for purchases within 30 days as required by KRS 65.140, which states unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice. The exceptions are when payment is delayed because the purchaser has made a written disapproval of improper performance, improper invoicing by the vendor, or by the vendor's subcontractor. For the fiscal year ended June 30, 1998, the fiscal court was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, workers compensation, public liability, and other damages. For this fiscal year, the fiscal court did not pay their entire premium and owes a balance of \$137,255. This balance represents an unpaid liability from each fund in the following amounts: General Fund - \$49,419, Road and Bridge Fund - \$65,235, Jail Fund - \$484, Local Government Economic Development Fund - \$604, Sanitation Fund - \$21,150 and 911 Fund - \$363. In addition, as of June 30, 1998, the Jail Fund owed \$39,982 to the Big Sandy Regional Detention Center for housing of prisoners. We recommend the fiscal court pay their bills in a timely manner as required by statute.

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 6. Lawsuit

Eastern Kentucky Resources, et. al. has filed suit against Magoffin County Fiscal Court in the Magoffin Circuit Court. The plaintiff is seeking return of \$125,000 plus interest from Magoffin County Fiscal Court for advanced royalties paid by the plaintiff to the fiscal court for construction of a landfill. The landfill was never constructed, so the plaintiff is seeking return of the advancement. If the plaintiff is successful in this suit, Magoffin County Fiscal Court could be required to pay \$125,000 plus interest to the plaintiff. This case is still pending and its outcome is uncertain.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MAGOFFIN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 408,831	\$ 592,905	\$ 184,074
Road and Bridge Fund	690,923	861,808	170,885
Jail Fund	227,642	55,002	(172,640)
Local Government Economic Assistance Fund	203,984	282,807	78,823
Sanitation Fund	732,000	408,201	(323,799)
911 Fund	166,975	100,056	(66,919)
Forestry Fund	3,140	2,575	(565)
Local Flood Protection Fund	105,000		(105,000)
Community Center Sinking Fund	7,300	8,800	1,500
Salyersville National Bank Renovation Project Fund	33,000		(33,000)
Appalachian Regional Commission Solid Waste Fund	<u>400,000</u>	<u>147,346</u>	<u>(252,654)</u>
Total	<u>\$ 2,978,795</u>	<u>\$ 2,459,500</u>	<u>\$ (519,295)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,978,795
Add: Budgeted Prior Year Surplus			<u>248,896</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,227,691</u>

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SCHEDULE OF OPERATING REVENUE

MAGOFFIN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 348,750	\$ 346,175	\$	\$
County Clerk:				
Deed Transfer Tax	8,737	8,737		
Delinquent Taxes	21,408	21,408		
Excess Fees - 1997	21,547	21,547		
Tangible Personal Property Taxes:				
County Clerk	65,449	65,449		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 465,891	\$ 463,316	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Federal Receipts - State Treasurer</u>				
Appalachian Regional Commission				
Grants -	\$ 147,260	\$	\$	\$
Federal Disaster and Emergency				
Services and Emergency Management				
Agency Reimbursement	95,787		95,787	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 243,047	\$ 0	\$ 95,787	\$ 0
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MAGOFFIN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Sanitation Fund	911 Fund	Forestry Fund	Community Center Sinking Fund	Appalachian Regional Commission Solid Waste Project Fund
\$	\$	\$	\$ 2,575	\$	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,575</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$	\$ 147,260
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 147,260</u>

MAGOFFIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 43,109	\$	\$	\$ 43,109
Medical Allotments	5,464			5,464
Driving Under The Influence Fees	2,301			2,301
Court Costs, Jail Operation	3,560			3,560
County Road Aid	602,594		602,594	
Truck License Distribution	151,651		151,651	
Election Expense Reimbursement	3,315	3,315		
Strip Mine Permits	26,912	26,912		
Refunds:				
Drivers Licenses	1,174		1,174	
Dog Licenses	610			
Severance Taxes:				
Coal	220,788			
Mineral	43,234			
Board of Assessments	400	400		
Grants:				
State Grants (Area Development District)	9,721	9,721		
Disaster and Emergency Services Reimbursement	11,038			
Miscellaneous	2,717		2,212	5
Totals	\$ 1,128,588	\$ 40,348	\$ 757,631	\$ 54,439

MAGOFFIN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Sanitation Fund	911 Fund	Forestry Fund	Community Center Sinking Fund	Appalachian Regional Commission Solid Waste Project Fund
\$	\$	\$	\$	\$	\$
610					
220,788					
43,234					
11,038					
500					
\$ 276,170	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

MAGOFFIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 20,018	\$ 8,462	\$ 8,373	\$ 469
Rent:				
Community Center	11,823			
Miscellaneous	53,453	53,453		
Advertising Cost	594	594		
911 Telephone Surcharge	99,619			
Reimbursements	10,206	6,985		
Charges for Services:				
Garbage Collection	387,660			
Recycling	11,664			
Retirement Cash Surrender	15,985	11,610		
Vending Machine Commission	1,494	630		
Surplus Machinery and Equipment Sales	17		17	
Donations	1,155			
Miscellaneous Items	8,286	7,507		94
Totals	\$ 621,974	\$ 89,241	\$ 8,390	\$ 563
Total Operating Revenue	\$ 2,459,500	\$ 592,905	\$ 861,808	\$ 55,002

MAGOFFIN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Sanitation Fund	911 Fund	Forestry Fund	Community Center Sinking Fund	Appalachian Regional Commission Solid Waste Project Fund
\$ 910	\$ 1,281	\$ 437	\$	\$	\$ 86
3,023				8,800	
		99,619			
	3,221				
	387,660				
	11,664				
	4,375				
864					
1,155					
685					
<u>\$ 6,637</u>	<u>\$ 408,201</u>	<u>\$ 100,056</u>	<u>\$ 0</u>	<u>\$ 8,800</u>	<u>\$ 86</u>
<u>\$ 282,807</u>	<u>\$ 408,201</u>	<u>\$ 100,056</u>	<u>\$ 2,575</u>	<u>\$ 8,800</u>	<u>\$ 147,346</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MAGOFFIN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 42,877	\$ 42,877	\$
Deputy County Judge/Executive	39,500	39,500	
Administrative Assistant	15,450	12,982	2,468
Office Materials and Supplies	2,000	4,275	(2,275)
New Office Equipment		2,426	(2,426)
Postage	1,000	351	649
Travel	1,500	350	1,150
Office of County Attorney:			
Salaries-			
County Attorney	23,634	23,634	
Secretaries	7,177	7,076	101
Postage	100		100
Tax Bill Preparation	1,700	1,057	643
Office of Sheriff:			
Postage	3,500	3,389	111
Fiscal Court:			
Magistrates Salaries	45,864	45,864	
Training	2,000		2,000
Advertising	10,000	11,227	(1,227)
Legal Fees		758	(758)
Fiscal Court Clerk Salary	6,972	2,905	4,067
Office of Property Valuation Administrator:			
Statutory Contribution	9,928	9,557	371
Office of Board of Assessment Appeals:			
Per Diem	800	800	

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of County Treasurer:			
County Treasurer Salary	\$ 17,648	\$ 17,399	249
Office Materials and Supplies	1,000	3,291	(2,291)
New Office Equipment		2,819	(2,819)
Training	500	25	475
County Law Library:			
Law Librarian Salary	600	600	
Office of Circuit Court Clerk:			
Secretary Salary	7,478	7,372	106
Elections:			
Per Diem-			
Election Commissioners	3,315	10,620	(7,305)
Storage	5,000	5,023	(23)
Economic Development:			
Contribution		9,721	(9,721)
Courthouse:			
Janitor Salaries	14,406	6,672	7,734
Insurance	20,000		20,000
Utilities	30,000	32,422	(2,422)
Maintenance	10,000	8,328	1,672
Improvements or New Construction	34,427	34,905	(478)
Materials and Supplies	4,000	1,035	2,965
Vending Machine Supplies	2,000	139	1,861
Contingent Appropriations:			
Reserve for Transfers	25,000		25,000
<u>Administration</u>			
General Services:			
Retirement Cash Surrender		11,610	(11,610)

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
<u>Administration</u> (Continued)			
General Services: (Continued)			
Auditing	\$ 20,000	\$ 27,402	\$ (7,402)
Membership Dues	4,500	4,175	325
Bond Premiums	1,550	1,421	129
Fringe Benefits:			
County Contributions-			
Social Security	24,725	20,206	4,519
Retirement	7,960	6,383	1,577
Worker's Compensation	4,000		4,000
Unemployment Insurance	6,720		6,720
Total General Fund	<u>\$ 458,831</u>	<u>\$ 420,596</u>	<u>\$ 38,235</u>
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Fiscal Court:			
Magistrates or Commissioners-			
Insurance	\$ 24,000	\$	\$ 24,000
Medical Claims		121	(121)
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	24,720	25,360	(640)
Office Materials and Supplies		1,420	(1,420)
Training	500	76	424
Road Maintenance:			
Road Labor Salaries	226,600	179,965	46,635
Asphalt	10,000	20,437	(10,437)
Crushed Stone and Gravel	175,000	175,358	(358)
Diesel Fuel	28,000	28,179	(179)

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Road Maintenance: (Continued)			
Garage Supplies	\$ 1,000	\$ 868	\$ 132
General Construction Materials	10,000	5,354	4,646
Machinery and Equipment-			
Repairs	50,000	41,601	8,399
New Road Machinery	33,472	21,306	12,166
Pipe	20,000	16,259	3,741
<u>Capital Projects</u>			
Bridges:			
Contracted Construction	100,000	98,700	1,300
<u>Administration</u>			
General Services:			
Utilities	5,000	6,000	(1,000)
Contingent Appropriations:			
Reserve for Budget Transfers	50,000		50,000
Fringe Benefits:			
County Contributions-			
Retirement	8,168	5,703	2,465
Social Security	19,225	15,707	3,518
Worker's Compensation	45,238	6,044	39,194
Unemployment Insurance	20,000		20,000
Total Road and Bridge Fund	<u>\$ 850,923</u>	<u>\$ 648,458</u>	<u>\$ 202,465</u>

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 29,808	\$ 29,808	\$
Jail Personnel	12,360	15,727	(3,367)
Operations-			
Bond	51	51	
Routine Medical	6,000	15,985	(9,985)
Staff Uniforms	500	409	91
Staff Training	500	497	3
Transporting Prisoners to			
Other Counties	200	807	(607)
Vehicle Maintenance	1,000	2,065	(1,065)
Housing Prisoners - Other Counties	150,000	123,136	26,864
Housing Juveniles	1,000	2,369	(1,369)
Equipment-			
Law Enforcement Equipment	1,000	569	431
<u>Debt Service</u>			
Jail Capital Lease Obligations:			
Interest	17,814	17,814	
<u>Administration</u>			
General Services:			
Miscellaneous	1,000	890	110
Membership Dues	50	50	

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>JAIL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 1,381	\$ 1,371	\$ 10
Social Security	3,267	3,483	(216)
Worker's Compensation	<u>3,211</u>	<u></u>	<u>3,211</u>
Total Operating Budget	\$ 229,142	\$ 215,031	\$ 14,111
Other Financing Uses:			
Regional Jail Bond-			
Principal	<u>5,136</u>	<u>8,808</u>	<u>(3,672)</u>
Total Jail Fund	<u>\$ 234,278</u>	<u>\$ 223,839</u>	<u>\$ 10,439</u>
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
<u>General Government</u>			
Office of Sheriff:			
Materials and Supplies	\$ 500	\$	\$ 500
Office Of Coroner:			
Salaries:			
Coroner	5,280	5,280	
Deputy	1,854	1,827	27
Office Supplies	1,000	1,433	(433)

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Deputy Salary	\$	\$ 2,775	\$ (2,775)
County Fire Department:			
Contribution		6,099	(6,099)
Disaster and Emergency Services:			
Contribution	2,000	2,000	
Reimbursements	9,000	11,538	(2,538)
Economic Development:			
Contribution	10,712	13,027	(2,315)
Office of Public Advocacy:			
Contribution	1,635	1,635	
Senior Citizens Program:			
Contribution	15,480	11,625	3,855
Utilities	3,000	1,288	1,712
Community Center:			
Directors Salary	12,360	15,188	(2,828)
Supplies	3,000	1,763	1,237
Vending Machine Supplies	1,000	490	510
Recreation Equipment	750		750
Utilities	18,000	5,943	12,057
Maintenance	2,000	1,919	81
Improvements	25,000	10,756	14,244

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>Protection to Persons and Property (Continued)</u>			
Services to Indigent:			
Pauper Funerals	\$ 1,000	\$ 1,650	\$ (650)
Indigent Autopsies		372	(372)
General Services	6,000	3,500	2,500
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	1,000	923	77
Dog License Fees	500	378	122
Services		6,165	(6,165)
<u>Roads</u>			
Road Maintenance:			
Construction Materials	76,958	16,409	60,549
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	1,005	3,940	(2,935)
Social Security	2,365	9,649	(7,284)
Worker's Compensation	4,000		4,000
Unemployment Insurance	3,585		3,585
Total Local Government Economic Assistance Fund	<u>\$ 208,984</u>	<u>\$ 137,572</u>	<u>\$ 71,412</u>

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>SANITATION FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Secretaries Salary	\$ 12,566	\$ 7,414	5,152
Operating Expenses:			
Salaries-			
Sanitation Officer	13,910	14,993	(1,083)
Truck Drivers	115,000	156,815	(41,815)
Diesel and Fuel	17,000	7,360	9,640
Office Supplies	1,000	1,102	(102)
Materials and Supplies	1,000	1,608	(608)
Postage	5,000	4,547	453
Utilities	800	447	353
Maintenance and Repair	10,000	28,740	(18,740)
Land Rental	3,600	3,600	
Solid Waste Dumping Fee	158,000	185,414	(27,414)
Ground Water Monitoring	12,820	5,295	7,525
Hauling		16,068	(16,068)
Computer Billing System	4,800		4,800
Drug Screening		100	(100)
Equipment	4,000	103	3,897
Transfer Station Equipment	18,000		18,000
Reserve Landfill Closure	5,000		5,000
Recycling Center:			
Labor	10,000	11,040	(1,040)
Lease	1,800	2,400	(600)
Rentals	1,500	1,000	500
Contract Services	1,400	1,978	(578)
Supplies	57,200	78	57,122
Utilities	2,700	3,607	(907)
Liability Insurance	7,500		7,500

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>SANITATION FUND (Continued)</u>			
Capital Projects:	\$ 75,000	\$	\$ 75,000
Land Purchase	40,000		40,000
Land Improvement	40,000		40,000
Transfer Station Construction	68,000		68,000
Debt Service:			
Kentucky Infrastructure Authority Loan	27,050		27,050
Fringe Benefits:			
County Contributions:			
Social Security	11,600	14,555	(2,955)
Retirement	4,950	5,140	(190)
Unemployment Insurance	8,200		8,200
Workers Compensation Insurance	25,000	6,044	18,956
Retirement Cash Surrender		2,977	(2,977)
Total Sanitation Fund	<u>\$ 764,396</u>	<u>\$ 482,425</u>	<u>\$ 281,971</u>

911 FUND

General Government

Salaries:			
Dispatch Supervisor	\$ 6,180	\$ 3,090	\$ 3,090
Dispatchers	64,272	62,180	2,092
Contract Mapping and Setup	49,000	33,746	15,254
Database Maintenance	4,000	2,226	1,774
Equipment Maintenance	5,000	1,725	3,275
Office Supplies	1,000	628	372
Utilities	4,000	7,427	(3,427)
Equipment and Training	9,462	865	8,597
Contingent Appropriations:			
Community Development Block			
Grant Contingency	8,238		8,238

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>911 FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fringe Benefits:			
County Contributions:			
Social Security	\$ 5,390	\$ 7,434	\$ (2,044)
Retirement	2,291	1,875	416
Unemployment Insurance	5,142		5,142
Workers Compensation	<u>3,000</u>	<u></u>	<u>3,000</u>
Total 911 Fund	<u>\$ 166,975</u>	<u>\$ 121,196</u>	<u>\$ 45,779</u>
<u>FORESTRY FUND</u>			
Forest Fire Services:			
Fire Protection	<u>\$ 3,140</u>	<u>\$ 3,140</u>	<u>\$ 0</u>
<u>LOCAL FLOOD PROTECTION FUND</u>			
Capital Projects:			
Contracted Construction	<u>\$ 105,000</u>	<u>\$ 0</u>	<u>\$ 105,000</u>
<u>COMMUNITY CENTER</u> <u>SINKING FUND</u>			
Debt Service:			
Farmers Home Administration Loan -			
Interest And Total Operating Budget	\$ 7,300	\$ 6,785	\$ 515
Other Financing Uses:			
Farmers Home Administration Loan-			
Principal	<u>2,300</u>	<u>2,300</u>	<u></u>
Total Community Center Sinking Fund	<u>\$ 9,600</u>	<u>\$ 9,085</u>	<u>\$ 515</u>

MAGOFFIN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
SALYERSVILLE NATIONAL BANK RENOVATION PROJECT FUND			
Capital Projects:			
Architect and Engineer	\$ 8,000	\$ 25,737	\$ (17,737)
Renovation	<u>25,000</u>	<u></u>	<u>25,000</u>
Total Salyersville National Bank Renovation Project Fund	<u>\$ 33,000</u>	<u>\$ 25,737</u>	<u>\$ 7,263</u>
APPALACHIAN REGIONAL COMMISSION SOLID WASTE PROJECT FUND			
Landfill Closure:			
Inspection	\$ 35,000	\$ 17,500	\$ 17,500
Construction	274,550	129,760	144,790
Solid Waste Equipment	<u>90,450</u>	<u></u>	<u>90,450</u>
Total Appalachian Regional Commission Solid Waste Project Fund	<u>\$ 400,000</u>	<u>\$ 147,260</u>	<u>\$ 252,740</u>
Total Operating Budget - All Funds	\$ 3,227,691	\$ 2,208,200	\$ 1,019,491
Other Financing Uses:			
Borrowed Money-			
Farmers Home Administration Loan:			
Principal	2,300	2,300	
Regional Jail Bond:			
Principal	<u>5,136</u>	<u>8,808</u>	<u>(3,672)</u>
TOTAL BUDGET - ALL FUNDS	<u><u>\$ 3,235,127</u></u>	<u><u>\$ 2,219,308</u></u>	<u><u>\$ 1,015,819</u></u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Paul Salyer, County Judge/Executive
Honorable Charles Hardin, Former County Judge/Executive
Members of the Magoffin County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Magoffin County Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Magoffin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The Fiscal Court Should Have Required Depository Institution To Pledge Additional Securities OF \$367,667 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The Fiscal Court Should Pay All Bills In A Timely Manner
- The County Treasurer Should Publish An Annual Settlement And Present It To Fiscal Court In A Timely Manner
- The Fiscal Court Should Collect Amount Due The County As Determined By Audit

Honorable Paul Salyer, County Judge/Executive
Honorable Charles Hardin, Former County Judge/Executive
Members of the Magoffin County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Magoffin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Magoffin County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- The Fiscal Court Should Have Required Depository Institution To Pledge Additional Securities Of \$367,667 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The Fiscal Court Should Pay All Bills In A Timely Manner
- The County Treasurer Should Publish An Annual Settlement And Present It To Fiscal Court In A Timely Manner
- The Fiscal Court Should Collect Amount Due The County As Determined By Audit

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 9, 1999

COMMENTS AND RECOMMENDATIONS

MAGOFFIN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

NONCOMPLIANCES

1. The Fiscal Court Should Have Required Depository Institution To Pledge Additional Securities Of \$367,667 As Collateral And Entered Into A Written Agreement To Protect Deposits

The fiscal court's deposits were not adequately secured by \$367,667 as of June 30, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The fiscal court should require the depository institution to pledge sufficient collateral to insure deposits at all times. We also recommend the fiscal court enter into a written agreement with the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

The pledges have been increased to bring them into compliance.

2. The Fiscal Court Should Pay All Bills In A Timely Manner

The fiscal court should to pay for purchases within 30 days as required by KRS 65.140, which states unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice. The exceptions are when payment is delayed because the purchaser has made a written disapproval of improper performance, or improper invoicing by the vendor, or by the vendor's subcontractor.

For the fiscal year ended June 30, 1998, the fiscal court was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, workers compensation, public liability, and other damages. For this fiscal year, the fiscal court did not pay their entire premium and owes a balance of \$137,255. This balance represents an unpaid liability from each fund in the following amounts: General Fund - \$49,419, Road and Bridge Fund - \$65,235, Jail Fund - \$484, Local Government Economic Development Fund - \$604, Sanitation Fund - \$21,150 and 911 Fund - \$363. In addition, as of June 30, 1998, the Jail Fund owed \$39,982 to the Big Sandy Regional Detention Center for housing of prisoners. We recommend the fiscal court pay their bills in a more timely manner as required by statute.

Management's Response:

Magoffin County did not receive a bill for this item. We are not allowed to pay without a proper bill. There was no attempt by KALF management or Tom Armstrong of Department for Local Government to contact Judge Hardin either by telephone or written correspondence or in person concerning an additional assessment. As far as I am aware there were no other problems concerning timely payment of bills to KALF (or any other vendor) during my administration, including but not limited to KALF annual premium payments.

MAGOFFIN COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1998
 (Continued)

3. The County Treasurer Should Publish An Annual Settlement And Present It To Fiscal Court In A Timely Manner

The County Treasurer did not publish the annual settlement as required by KRS 424.220 (6) which states the County Treasurer is required to prepare an annual settlement and publish it within sixty (60) days after the close of the fiscal year. Also, the County Treasurer did not present the annual settlement to the fiscal court within thirty (30) days as required by KRS 68.020. This statute also states the County Treasurer shall make a full and complete settlement within thirty days after the close of each year. We recommend compliance with these statutes in the future.

Management's Response:

Agree. Report was presented to fiscal court.

4. The Fiscal Court Should Collect Amount Due The County As Determined By Audit

The fiscal court should collect any amount due the county from county officials as determined by the audit of the official as required by KRS 64.820 (1). In the event the fiscal court cannot collect the amount due the county from the county official without suit, the fiscal court shall then direct the county attorney to institute suit for the collection of the amount reported by the auditor or certified public accountant to be due the county within ninety (90) days from the date of receiving the auditor's or certified public accountant's report per KRS 64.820 (2). The former County Treasurer's annual salary was overpaid by \$12,410 for fiscal year ended June 30, 1993. This salary was supposedly taken for the time spent as Area Coordinator of a federal flood grant received by the Magoffin County Fiscal Court. The former County Treasurer has already been paid approximately this amount during the fiscal year ending June 30, 1992, for coordinating the same flood grant. Grant requirements allowed \$12,700 for administrative expenses to be paid on a one-time basis only. We recommend the fiscal court take the appropriate action necessary in order to collect the \$12,410 from the former County Treasurer.

Management's Response:

Agree with recommendation. Recommend current administration handle this.

Prior Year

The prior year audit contained the following items which have not been corrected and are repeated in the current audit.

- The Fiscal Court Should Have Required Depository Institution To Pledge Additional Securities As Collateral And Entered Into A Written Agreement To Protect Deposits
- The County Treasurer Should Publish An Annual Settlement And Present It To Fiscal Court In A Timely Manner
- The Fiscal Court Should Collect Amount Due The County As Determined By Audit

**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

MAGOFFIN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

Appendix A

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

MAGOFFIN COUNTY FISCAL COURT

The Magoffin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer